



General Assembly

February Session, 2016

Raised Bill No. 5519

LCO No. 2491



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:
(INS)

***AN ACT AUTHORIZING CATASTROPHE SAVINGS ACCOUNTS FOR
HOMEOWNERS INSURANCE POLICYHOLDERS AND ESTABLISHING
INCOME TAX DEDUCTIONS FOR HOMEOWNERS SUFFERING
CERTAIN UNINSURED PROPERTY LOSSES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2016*) (a) As used in this section,
2 (1) "Catastrophe Savings Account" or "CSA" means a savings account
3 or money market mutual fund account established pursuant to
4 subsection (b) of this section, and (2) "residential real property" has the
5 same meaning as provided in section 20-325c of the general statutes.

6 (b) (1) A homeowners insurance policyholder may establish a
7 Catastrophe Savings Account to indemnify such policyholder in the
8 amount of the deductible under the policyholder's homeowners
9 insurance policy for damage to such policyholder's residential real
10 property from a hurricane, rising floodwaters or other catastrophic
11 windstorm event. Such policyholder (A) shall establish only one such
12 account, (B) shall label such account as a Catastrophe Savings Account
13 for it to qualify as such, and (C) may make contributions to such

14 account in an amount not to exceed twice the deductible of such
15 homeowners insurance policy, to a maximum aggregate cap of fifteen
16 thousand dollars held in such account.

17 (2) Contributions made to such account shall be deductible from the
18 tax imposed under chapter 229 of the general statutes. If a policyholder
19 makes a contribution to such account in excess of the maximum
20 aggregate cap, such policyholder shall withdraw the amount of the
21 excess contribution and include such amount in the policyholder's
22 gross income for purposes of the tax imposed under chapter 229 of the
23 general statutes.

24 (c) (1) A policyholder shall only use distributions from a CSA
25 account to pay for expenses incurred as a result of damage to such
26 policyholder's residential real property from a hurricane, rising
27 floodwaters or other catastrophic windstorm event and that are not
28 covered under a homeowners insurance policy. If a distribution from a
29 CSA account is not used for such purpose, the policyholder shall
30 include the amount of such distribution in the policyholder's gross
31 income for purposes of the tax imposed under chapter 229 of the
32 general statutes.

33 (2) If the aggregate distribution amount in a taxable year exceeds
34 such expenses incurred during the taxable year, the policyholder shall
35 include the distribution amount that is in excess of such expenses in
36 the policyholder's gross income for purposes of the tax imposed under
37 chapter 229 of the general statutes.

38 (d) No CSA shall be subject to attachment, levy, garnishment or
39 legal process.

40 Sec. 2. Subdivision (20) of subsection (a) of section 12-701 of the 2016
41 supplement to the general statutes is repealed and the following is
42 substituted in lieu thereof (*Effective from passage and applicable to taxable*
43 *years commencing on or after January 1, 2016*):

44 (20) "Connecticut adjusted gross income" means adjusted gross
45 income, with the following modifications:

46 (A) There shall be added thereto (i) to the extent not properly
47 includable in gross income for federal income tax purposes, any
48 interest income from obligations issued by or on behalf of any state,
49 political subdivision thereof, or public instrumentality, state or local
50 authority, district or similar public entity, exclusive of such income
51 from obligations issued by or on behalf of the state of Connecticut, any
52 political subdivision thereof, or public instrumentality, state or local
53 authority, district or similar public entity created under the laws of the
54 state of Connecticut and exclusive of any such income with respect to
55 which taxation by any state is prohibited by federal law, (ii) any
56 exempt-interest dividends, as defined in Section 852(b)(5) of the
57 Internal Revenue Code, exclusive of such exempt-interest dividends
58 derived from obligations issued by or on behalf of the state of
59 Connecticut, any political subdivision thereof, or public
60 instrumentality, state or local authority, district or similar public entity
61 created under the laws of the state of Connecticut and exclusive of
62 such exempt-interest dividends derived from obligations, the income
63 with respect to which taxation by any state is prohibited by federal
64 law, (iii) any interest or dividend income on obligations or securities of
65 any authority, commission or instrumentality of the United States
66 which federal law exempts from federal income tax but does not
67 exempt from state income taxes, (iv) to the extent included in gross
68 income for federal income tax purposes for the taxable year, the total
69 taxable amount of a lump sum distribution for the taxable year
70 deductible from such gross income in calculating federal adjusted
71 gross income, (v) to the extent properly includable in determining the
72 net gain or loss from the sale or other disposition of capital assets for
73 federal income tax purposes, any loss from the sale or exchange of
74 obligations issued by or on behalf of the state of Connecticut, any
75 political subdivision thereof, or public instrumentality, state or local
76 authority, district or similar public entity created under the laws of the

77 state of Connecticut, in the income year such loss was recognized, (vi)
78 to the extent deductible in determining federal adjusted gross income,
79 any income taxes imposed by this state, (vii) to the extent deductible in
80 determining federal adjusted gross income, any interest on
81 indebtedness incurred or continued to purchase or carry obligations or
82 securities the interest on which is exempt from tax under this chapter,
83 (viii) expenses paid or incurred during the taxable year for the
84 production or collection of income which is exempt from taxation
85 under this chapter or the management, conservation or maintenance of
86 property held for the production of such income, and the amortizable
87 bond premium for the taxable year on any bond the interest on which
88 is exempt from tax under this chapter to the extent that such expenses
89 and premiums are deductible in determining federal adjusted gross
90 income, (ix) for property placed in service after September 10, 2001, but
91 prior to September 11, 2004, in taxable years ending after September
92 10, 2001, any additional allowance for depreciation under subsection
93 (k) of Section 168 of the Internal Revenue Code, as provided by Section
94 101 of the Job Creation and Worker Assistance Act of 2002, to the
95 extent deductible in determining federal adjusted gross income, (x) to
96 the extent deductible in determining federal adjusted gross income, the
97 deduction allowable as qualified domestic production activities
98 income, pursuant to Section 199 of the Internal Revenue Code, (xi) to
99 the extent not properly includable in gross income for federal income
100 tax purposes for the taxable year, any income from the discharge of
101 indebtedness, in taxable years ending after December 31, 2008, in
102 connection with any reacquisition, after December 31, 2008, and before
103 January 1, 2011, of an applicable debt instrument or instruments, as
104 those terms are defined in Section 108 of the Internal Revenue Code, as
105 amended by Section 1231 of the American Recovery and Reinvestment
106 Act of 2009, the inclusion of which income in federal gross income for
107 the taxable year is deferred, as provided by said Section 1231, and (xii)
108 to the extent not properly includable in gross income for federal
109 income tax purposes, an amount equal to (I) any distribution from a
110 manufacturing reinvestment account not used in accordance with

111 subdivision (3) of subsection (c) of section 32-9zz to the extent that a
112 contribution to such account was subtracted from federal adjusted
113 gross income pursuant to clause (xix) of subparagraph (B) of this
114 subdivision in computing Connecticut adjusted gross income for the
115 current or a preceding taxable year, and (II) any return of money from
116 a manufacturing reinvestment account pursuant to subsection (d) of
117 section 32-9zz to the extent that a contribution to such account was
118 subtracted from federal adjusted gross income pursuant to clause (xix)
119 of subparagraph (B) of this subdivision in computing Connecticut
120 adjusted gross income for the current or a preceding taxable year.

121 (B) There shall be subtracted therefrom (i) to the extent properly
122 includable in gross income for federal income tax purposes, any
123 income with respect to which taxation by any state is prohibited by
124 federal law, (ii) to the extent allowable under section 12-718, exempt
125 dividends paid by a regulated investment company, (iii) the amount of
126 any refund or credit for overpayment of income taxes imposed by this
127 state, or any other state of the United States or a political subdivision
128 thereof, or the District of Columbia, to the extent properly includable
129 in gross income for federal income tax purposes, (iv) to the extent
130 properly includable in gross income for federal income tax purposes
131 and not otherwise subtracted from federal adjusted gross income
132 pursuant to clause (x) of this subparagraph in computing Connecticut
133 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
134 extent any additional allowance for depreciation under Section 168(k)
135 of the Internal Revenue Code, as provided by Section 101 of the Job
136 Creation and Worker Assistance Act of 2002, for property placed in
137 service after December 31, 2001, but prior to September 10, 2004, was
138 added to federal adjusted gross income pursuant to subparagraph
139 (A)(ix) of this subdivision in computing Connecticut adjusted gross
140 income for a taxable year ending after December 31, 2001, twenty-five
141 per cent of such additional allowance for depreciation in each of the
142 four succeeding taxable years, (vi) to the extent properly includable in
143 gross income for federal income tax purposes, any interest income

144 from obligations issued by or on behalf of the state of Connecticut, any
145 political subdivision thereof, or public instrumentality, state or local
146 authority, district or similar public entity created under the laws of the
147 state of Connecticut, (vii) to the extent properly includable in
148 determining the net gain or loss from the sale or other disposition of
149 capital assets for federal income tax purposes, any gain from the sale
150 or exchange of obligations issued by or on behalf of the state of
151 Connecticut, any political subdivision thereof, or public
152 instrumentality, state or local authority, district or similar public entity
153 created under the laws of the state of Connecticut, in the income year
154 such gain was recognized, (viii) any interest on indebtedness incurred
155 or continued to purchase or carry obligations or securities the interest
156 on which is subject to tax under this chapter but exempt from federal
157 income tax, to the extent that such interest on indebtedness is not
158 deductible in determining federal adjusted gross income and is
159 attributable to a trade or business carried on by such individual, (ix)
160 ordinary and necessary expenses paid or incurred during the taxable
161 year for the production or collection of income which is subject to
162 taxation under this chapter but exempt from federal income tax, or the
163 management, conservation or maintenance of property held for the
164 production of such income, and the amortizable bond premium for the
165 taxable year on any bond the interest on which is subject to tax under
166 this chapter but exempt from federal income tax, to the extent that
167 such expenses and premiums are not deductible in determining federal
168 adjusted gross income and are attributable to a trade or business
169 carried on by such individual, (x) (I) for a person who files a return
170 under the federal income tax as an unmarried individual whose
171 federal adjusted gross income for such taxable year is less than fifty
172 thousand dollars, or as a married individual filing separately whose
173 federal adjusted gross income for such taxable year is less than fifty
174 thousand dollars, or for a husband and wife who file a return under
175 the federal income tax as married individuals filing jointly whose
176 federal adjusted gross income for such taxable year is less than sixty
177 thousand dollars or a person who files a return under the federal

178 income tax as a head of household whose federal adjusted gross
179 income for such taxable year is less than sixty thousand dollars, an
180 amount equal to the Social Security benefits includable for federal
181 income tax purposes; and (II) for a person who files a return under the
182 federal income tax as an unmarried individual whose federal adjusted
183 gross income for such taxable year is fifty thousand dollars or more, or
184 as a married individual filing separately whose federal adjusted gross
185 income for such taxable year is fifty thousand dollars or more, or for a
186 husband and wife who file a return under the federal income tax as
187 married individuals filing jointly whose federal adjusted gross income
188 from such taxable year is sixty thousand dollars or more or for a
189 person who files a return under the federal income tax as a head of
190 household whose federal adjusted gross income for such taxable year
191 is sixty thousand dollars or more, an amount equal to the difference
192 between the amount of Social Security benefits includable for federal
193 income tax purposes and the lesser of twenty-five per cent of the Social
194 Security benefits received during the taxable year, or twenty-five per
195 cent of the excess described in Section 86(b)(1) of the Internal Revenue
196 Code, (xi) to the extent properly includable in gross income for federal
197 income tax purposes, any amount rebated to a taxpayer pursuant to
198 section 12-746, (xii) to the extent properly includable in the gross
199 income for federal income tax purposes of a designated beneficiary,
200 any distribution to such beneficiary from any qualified state tuition
201 program, as defined in Section 529(b) of the Internal Revenue Code,
202 established and maintained by this state or any official, agency or
203 instrumentality of the state, (xiii) to the extent allowable under section
204 12-701a, contributions to accounts established pursuant to any
205 qualified state tuition program, as defined in Section 529(b) of the
206 Internal Revenue Code, established and maintained by this state or
207 any official, agency or instrumentality of the state, (xiv) to the extent
208 properly includable in gross income for federal income tax purposes,
209 the amount of any Holocaust victims' settlement payment received in
210 the taxable year by a Holocaust victim, (xv) to the extent properly
211 includable in gross income for federal income tax purposes of an

212 account holder, as defined in section 31-51ww, interest earned on
213 funds deposited in the individual development account, as defined in
214 section 31-51ww, of such account holder, (xvi) to the extent properly
215 includable in the gross income for federal income tax purposes of a
216 designated beneficiary, as defined in section 3-123aa, interest,
217 dividends or capital gains earned on contributions to accounts
218 established for the designated beneficiary pursuant to the Connecticut
219 Homecare Option Program for the Elderly established by sections 3-
220 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in
221 gross income for federal income tax purposes, any income received
222 from the United States government as retirement pay for a retired
223 member of (I) the Armed Forces of the United States, as defined in
224 Section 101 of Title 10 of the United States Code, or (II) the National
225 Guard, as defined in Section 101 of Title 10 of the United States Code,
226 (xviii) to the extent properly includable in gross income for federal
227 income tax purposes for the taxable year, any income from the
228 discharge of indebtedness in connection with any reacquisition, after
229 December 31, 2008, and before January 1, 2011, of an applicable debt
230 instrument or instruments, as those terms are defined in Section 108 of
231 the Internal Revenue Code, as amended by Section 1231 of the
232 American Recovery and Reinvestment Act of 2009, to the extent any
233 such income was added to federal adjusted gross income pursuant to
234 subparagraph (A)(xi) of this subdivision in computing Connecticut
235 adjusted gross income for a preceding taxable year, (xix) to the extent
236 not deductible in determining federal adjusted gross income, the
237 amount of any contribution to a manufacturing reinvestment account
238 established pursuant to section 32-9zz in the taxable year that such
239 contribution is made, [and] (xx) to the extent properly includable in
240 gross income for federal income tax purposes, for the taxable year
241 commencing January 1, 2015, ten per cent of the income received from
242 the state teachers' retirement system, for the taxable year commencing
243 January 1, 2016, twenty-five per cent of the income received from the
244 state teachers' retirement system, and for the taxable year commencing
245 January 1, 2017, and each taxable year thereafter, fifty per cent of the

246 income received from the state teachers' retirement system, (xxi) for
 247 contributions made during the taxable year to a Catastrophe Savings
 248 Account established under subsection (b) of section 1 of this act and as
 249 provided in said section, and (xxii) for expenses paid during the
 250 taxable year, not exceeding fifteen thousand dollars, to reconstruct or
 251 repair the taxpayer's dwelling unit where such dwelling is
 252 substantially impaired by a faulty foundation, the impairment
 253 threatens the structural integrity of such dwelling and such expenses
 254 are not covered under a homeowners insurance policy.

255 (C) With respect to a person who is the beneficiary of a trust or
 256 estate, there shall be added or subtracted, as the case may be, from
 257 adjusted gross income such person's share, as determined under
 258 section 12-714, in the Connecticut fiduciary adjustment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2016	New section
Sec. 2	from passage and applicable to taxable years commencing on or after January 1, 2016	12-701(a)(20)

Statement of Purpose:

To authorize the establishment of Catastrophe Savings Accounts, provide for contributions to such account to be tax deductible for purposes of the personal income tax, and establish a tax deduction for expenses paid to reconstruct or repair the taxpayer's dwelling unit where such dwelling is substantially impaired by a faulty foundation, the impairment threatens the structural integrity of such dwelling and such expenses are not covered under a homeowners insurance policy.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]